

**HOUSTON COUNTY, TEXAS**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**



## **INTRODUCTORY SECTION**

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**HOUSTON COUNTY, TEXAS  
TABLE OF CONTENTS  
SEPTEMBER 30, 2015**

PAGE NO.

**INTRODUCTORY SECTION**

Table of Contents.....	1-2
Principal Public Officials.....	3

**FINANCIAL SECTION**

Independent Auditors’ Report .....	7-9
Management’s Discussion and Analysis - unaudited.....	11-17

**Basic Financial Statements**

Government-wide Financial Statements

Statement of Net Position .....	23
Statement of Activities.....	24-25

Fund Financial Statements

Balance Sheet – Governmental Funds .....	28-29
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	31
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	32-33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities .....	35
Statement of Fiduciary Net Position – Agency Funds .....	37

Notes to the Financial Statements .....	41-57
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**Required Supplementary Information - unaudited**

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	61-62
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 1 .....	63
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 2.....	65
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 3.....	67
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 4.....	69
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Ike Grant Fund .....	71
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Last Ten Years .....	73
Schedule of Pension Contributions – Last Ten Fiscal Years .....	75
Notes to the Schedule of Pension Contributions .....	77

**HOUSTON COUNTY, TEXAS  
TABLE OF CONTENTS  
SEPTEMBER 30, 2015**

PAGE NO.

**SUPPLEMENTARY INFORMATION SECTION**

**Combining Fund Statements**

Combining Balance Sheet – Nonmajor Governmental Funds .....	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	85
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	86-95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	96-105
Combining Statement of Fiduciary Assets and Liabilities.....	106-109

**COMPLIANCE SECTION**

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	113-114
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	115-116
Schedule of Expenditures of Federal Awards .....	117-118
Notes to the Schedule of Expenditures of Federal Awards .....	119
Schedule of Findings and Questioned Costs	
Section I – Summary of Auditors’ Results .....	121
Section II – Financial Statements Audit Findings .....	122-123
Section III – Major Federal Award Programs Audit Findings and Questioned Costs .....	124
Summary Schedule of Prior Audit Findings .....	125-126

**HOUSTON COUNTY, TEXAS  
PRINCIPAL PUBLIC OFFICIALS  
SEPTEMBER 30, 2015**

**COMMISSIONERS' COURT**

Erin Ford ..... County Judge  
Roger Dickey.....Commissioner Precinct No. 1  
Willie Kitchen.....Commissioner Precinct No. 2  
Pat Perry.....Commissioner Precinct No. 3  
Kennon Kellum.....Commissioner Precinct No. 4

**COUNTY ELECTED OFFICIALS**

Morris Luker .....Constable Precinct No. 1  
Kenneth Smith.....Constable Precinct No. 2  
Daphne Session.....County Attorney  
Bridget Lamb ..... County Clerk  
Sarah T. Clark .....County Court at Law  
Charles R. Hodges..... County Surveyor  
Dina Herrera.....County Treasurer  
Clyde Black..... Justice of the Peace, Precinct No. 1  
Ronnie Jordan ..... Justice of the Peace, Precinct No. 2  
Darrel Bobbitt..... Sheriff  
Danette Millican..... Tax Assessor/Collector

**DISTRICT ELECTED OFFICIALS**

Donna Gordon Kaspar..... District Attorney, 349th Judicial District  
Carolyn Rains.....District Clerk  
Mark Alan Calhoon.....District Judge, 3rd Judicial District  
Pam Foster Fletcher..... District Judge, 349th Judicial District

**APPOINTED OFFICIALS**

Willie Spurlock ..... Building Maintenance Supervisor  
Brandon Sheeley .....Community Supervision/Corrections Department  
Melissa Mosley..... County Auditor  
Jo Smith ..... County Extension Agent – Agriculture  
Mandy Patrick .....County Extension Agent – Family & Consumer Science  
David Lamb..... Emergency Management Coordinator & Fire Marshal  
M. Brent Williams.....Information Technology Director  
Angela B. Cross ..... Juvenile Probation Department  
Fred Newtz..... Veteran Service Officer

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**FINANCIAL SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

420 S 1<sup>st</sup> Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181  
301 N 6<sup>th</sup> Street • PO Box 1249 • Crockett, TX 75835-1249 • (936) 544-2143

Melvin R. Todd, CPA  
Daren Hamaker, CPA  
Kim Johnson, CPA  
Rachel Kennerly, CPA

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and  
Members of the Commissioners' Court  
Houston County, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas, (the "County") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining

## INDEPENDENT AUDITORS' REPORT – CONTINUED

fund information of Houston County, Texas, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principle*

As discussed in the notes to the financial statements, in 2015 the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and the schedule of pension contributions and related notes on pages 11 - 17 and 61 - 77, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards, on pages 83-109 and 117-119, respectively, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT – CONTINUED

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on pages 113-114, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 24, 2016

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**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

As management of Houston County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2015. We encourage readers to consider information presented here as well as the County's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Government-wide financial statements**

- The County's overall assets exceeded its total liabilities by \$7,764,776 (net position) at September 30, 2015. Of this amount, \$2,636,046 may be used to meet the County's ongoing obligations to citizens and creditors.
- Total assets increased by \$756,151 from the prior year; total liabilities increased by \$701,783 from the prior year.
- Overall revenues exceeded expenses (or an increase in net position) by \$120,186. Depreciation expense of \$1,144,829 is included in these expenses.

**Fund financial statements**

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$4,038,073. Overall revenues exceeded expenses by \$418,273.
- At September 30, 2015, unassigned fund balance for the General Fund was \$1,848,188, or approximately 27% of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary that further explains and supports the information in the financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements*, which begin on page 23 of this report, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* available at the end of the fiscal year.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 28 to 35 of this report.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the County's own programs.

The fiduciary fund financial statement can be found on page 37 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 to 57 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The County's assets exceeded its liabilities by \$7,764,776 at September 30, 2015.

The largest portion of the County's net position, or \$2,826,734, reflects its investment in capital assets (\$14,897,058) less the related debt used to acquire those assets that remains outstanding (\$12,070,324). The County uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position totaling \$2,301,996 represents resources that are subject to restriction on how they may be used.

The remaining balance of \$2,636,046 is unrestricted in nature and used to meet the County's ongoing obligations to citizens and creditors.



**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

**The County's Net Position**

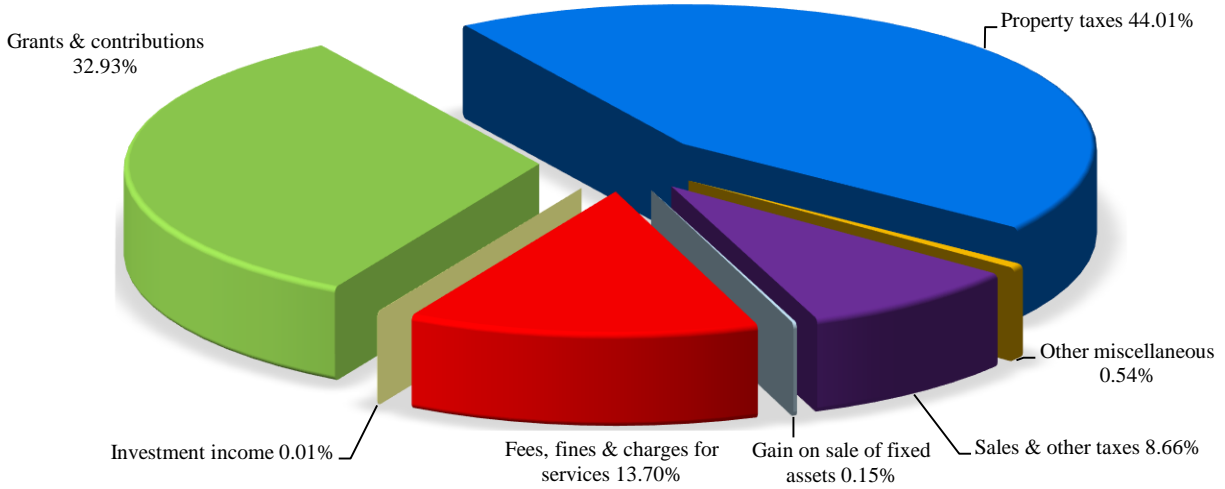
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 6,584,534	\$ 5,166,199
Capital assets, net	14,897,058	15,559,242
Total assets	<u>21,481,592</u>	<u>20,725,441</u>
Deferred outflows of resources	384,502	-
Total deferred outflows	<u>384,502</u>	<u>-</u>
Long-term liabilities	12,070,324	12,331,979
Other liabilities	2,002,520	1,039,082
Total liabilities	<u>14,072,844</u>	<u>13,371,061</u>
Deferred inflows of resources	28,474	-
Total deferred inflows	<u>28,474</u>	<u>-</u>
Net position:		
Invested in capital assets, net of related debt	2,826,734	3,227,263
Restricted	2,301,996	2,220,622
Unrestricted	<u>2,636,046</u>	<u>1,906,495</u>
Total net position	<u>\$ 7,764,776</u>	<u>\$ 7,354,380</u>

**Change in Net Position**

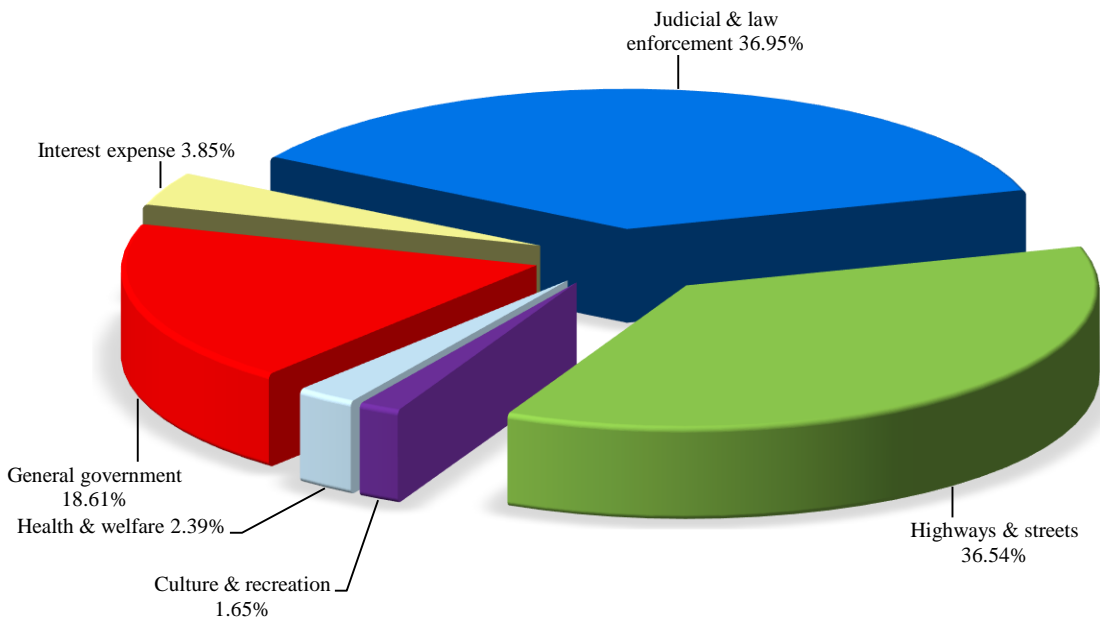
	<u>2015</u>	<u>2014</u>
Revenues		
Fees, fines, charges for services	\$ 2,088,211	\$ 2,060,705
Property taxes	6,705,827	6,402,318
Sales taxes	1,245,229	998,439
Other taxes	43,537	57,446
Investment income	2,247	3,913
Grants and contributions	5,017,491	2,763,917
Payment in lieu of taxes	31,080	33,717
Gain on sale of assets	22,254	3,275
Other miscellaneous	<u>82,429</u>	<u>44,422</u>
Total revenues	<u>15,238,305</u>	<u>12,368,152</u>
Expenses		
General government	2,749,651	2,710,514
Judicial and law enforcement	5,458,415	5,169,416
Highways and streets	5,397,439	2,317,054
Health and welfare	353,215	328,325
Culture and recreation	244,238	234,853
Pass-through expenditures	346,174	604,120
Interest on long-term debt	<u>568,987</u>	<u>589,229</u>
Total expenses	<u>15,118,119</u>	<u>11,953,511</u>
Increase (decrease) in net position	120,186	414,641
Prior period adjustment	290,210	-
Net position at beginning of year	<u>7,354,380</u>	<u>6,939,739</u>
Net position at end of year	<u>\$ 7,764,776</u>	<u>\$ 7,354,380</u>

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

**Revenues by Source  
For the Fiscal Year Ended September 30, 2015**



**Expenses by Function  
For the Fiscal Year Ended September 30, 2015**



**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental Funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The County's governmental fund financial statements are presented on pages 28 to 35.

As of September 30, 2015, the County's governmental funds reported a total fund balance of \$4,038,073. This fund balance is comprised of \$2,198,291 that is either in a nonspendable form, restricted or assigned for specific purpose. The remaining balance, \$1,839,782, is unassigned. During the year, the fund balance in the County's governmental funds increased by \$418,273.

**Budgetary Comparisons.** A comparison of the general fund, each individual road and bridge fund, and the Ike grant fund budget and actual results are presented as required supplementary information on pages 61 to 71.

*General Fund.* Actual revenues were higher than budgeted amounts by \$524,122. Actual expenditures were lower than budgeted amounts by \$328,964. Actual other financing sources (uses) were unfavorable to budgeted amounts by \$7,516. An overall decrease in fund balance of \$878,183 had been projected, using prior year budget carryovers to fund the decrease. Actual amounts resulted in a decrease in fund balance of \$32,613 for the fiscal year.

*Road and Bridge Funds.* Actual revenues were higher than budgeted amounts by \$50,265. Actual expenditures were lower than budgeted amounts by \$225,886. Actual other financing sources (uses) were favorable to budgeted amounts by \$3,015. An overall decrease in fund balance of \$178,850 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$100,316 (a favorable budget variance).

*Ike Grant Fund.* Actual revenues were lower than budgeted amounts by \$501,303. Actual expenditures were lower than budgeted amounts by \$498,870. Actual other financing sources (uses) were favorable to budgeted amounts by \$2,452. A balanced budget was adopted, with no change in fund balance being projected. Actual amounts yielded an increase in fund balance of \$19 for the year.

**CAPITAL ASSETS**

The County's investment in capital assets as of September 30, 2015 totaled \$14,897,058 (net of accumulated depreciation).

Capital assets of \$504,103 were purchased during the year. Significant purchases included:

- Courthouse roof (in construction in progress at year end)
- Courtroom sound system
- Various trucks and heavy equipment (partially funded through capital leases/notes)

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

**Capital Assets (Net of Depreciation)**

	2015	2014
Land	\$ 140,320	\$ 140,320
Construction in progress	5,050	21,458
Buildings and improvements	18,195,482	18,195,482
Infrastructure	72,792	72,792
Rolling stock	6,877,333	6,543,030
Furniture and equipment	1,518,777	1,552,074
Less: accumulated depreciation	(11,912,696)	(10,965,914)
Total	\$ 14,897,058	\$ 15,559,242

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$11,908,087.

**Debt Outstanding**

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation	\$ 11,755,000	\$ -	\$ 390,000	\$ 11,365,000
Capital leases	405,199	333,885	195,997	543,087
Total	\$ 12,160,199	\$ 333,885	\$ 585,997	\$ 11,908,087

Also included in noncurrent liabilities in the statement of net position is \$162,237 of unamortized bond premium.

**ECONOMIC FACTORS AND FUTURE FUNDING**

Local property taxes provide the major source of funding for county governments in Texas. Property tax revenue is historically very stable and predictable. Houston County's adopted rate of 50.4 cents remains one of the lowest rates in our region and one of the lower rates statewide.

In late 2015, Saudi Arabia and OPEC increased worldwide oil production in an attempt to eliminate our domestic oil shale production which cut into their market share. That, and the inclusion of Iran into world oil production, drove the price of oil from over \$100/barrel to \$27/barrel at its lowest. Houston County felt the impact of this as well. Our Real/Mineral valuations fell \$200 million, which places the County will a projected revenue shortfall of \$850,000. With an \$8.0 million budget, that is a significant impact. I am working on budget assessments now for f/y 2017. To add to the dilemma, our jail population dropped with Trinity County transferring their prisoners to San Jacinto County, leaving a deficit of \$150,000.

Despite difficult statewide economic times, Houston County continues to be mindful of their financial condition and impact on the local taxpayers. We remain conservative and proactive in all aspects of

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
(UNAUDITED)**

county activities. We are concerned about the impact of declining state and federal revenues, including timber and mineral revenues from the Davy Crockett National Forest, and declining grant availability and have reached out to our representatives on all government levels to make them aware of our needs. It's frustrating that our Federal Government is not recognizing their obligation to adequately fund the timber revenue in lieu of property taxes on the National Forest. Houston County makes up 12% National Forest, which is tax exempt.

The County experienced two declared natural disasters in 2015—sustained rains (over 60”) significantly damaged our road infrastructure to the extent that many were impassable. The Commissioners fought to repair the roads, bridges, and culverts. From July to September, we had no rain, which resulted in serious impacts to our cattle and agriculture.

We have made significant progress in renovating our aging infrastructure. We have completed the Courthouse Roof Replacement, the first one since the last courthouse renovation in 1976. The Old Jail facility is now complete and houses Aging and Disability Home Meal Program, the Department of Public Safety Area Troopers and Driver's License dept., and record archiving for the historic courthouse records. We are always looking to protect and maintain the quality of life for our citizens.

Lifeguard Ambulance Service has been in operation for over a year and we now have air ambulance partner, Air Evac, which is based at our local hospital. We are working with both companies to establish a county ambulance subscription program for resident families that will defer the costs of emergency transport.

The Alamo Gas Plant is now in operation, with startup in January, 2016. This \$100 million facility is providing local jobs and PILT annual payments to the county under the tax abatement agreement.

The Houston County Commissioners Court has worked with all of your elected officials to establish and adhere to a conservative, efficient budget while still providing adequate funding for important County services.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the County's finances. If you have questions about this report or need any additional information, contact the Houston County Auditor at (936) 544-3255 or write to 401 E. Goliad, Suite 204, Crockett, Texas 75835.

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,684,868	\$ 1,684,868
Receivables		
Property taxes, net of allowance for uncollectibles	557,087	557,087
Sales tax receivable	238,941	238,941
Grants	1,909,962	1,909,962
Other - miscellaneous	96,512	96,512
Prepays	80,414	80,414
Restricted assets		
Cash and cash equivalents	1,003,179	1,003,179
Certificates of deposit	734,261	734,261
Property taxes, net of allowance for uncollectibles	27,739	27,739
Net pension asset	251,571	251,571
Capital assets, net of accumulated depreciation	14,897,058	14,897,058
<b>TOTAL ASSETS</b>	21,481,592	21,481,592
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions subsequent to measurement date	251,882	251,882
Unamortized differences - pension plan investment earnings	132,620	132,620
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	384,502	384,502
<b>LIABILITIES</b>		
Accounts payable	1,661,960	1,661,960
Accrued interest	70,991	70,991
Accrued compensated absences	195,409	195,409
Unearned revenues	74,160	74,160
Noncurrent liabilities		
Due within one year	580,390	580,390
Due in more than one year	11,489,934	11,489,934
<b>TOTAL LIABILITIES</b>	14,072,844	14,072,844
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized differences - pension plan economic experience	28,474	28,474
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	28,474	28,474
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	2,826,734	2,826,734
Restricted for		
Pension	607,599	607,599
Deposits held as collateral by others	734,261	734,261
Debt service	75,424	75,424
General government	343,492	343,492
Judicial and law enforcement	182,935	182,935
Highways and streets	358,285	358,285
Unrestricted	2,636,046	2,636,046
<b>TOTAL NET POSITION</b>	\$ 7,764,776	\$ 7,764,776

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 2,749,651
Judicial and law enforcement	5,458,415
Highways and streets	5,397,439
Health and welfare	353,215
Culture and recreation	244,238
Pass-through expenditures	346,174
Interest on long-term debt	568,987
Total governmental activities	\$ 15,118,119

Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 342,391	\$ 8,603	\$ 2,443	\$ (2,396,214)
966,030	843,797	-	(3,648,588)
693,024	3,604,551	-	(1,099,864)
43,673	210,493	-	(99,049)
43,093	1,430	-	(199,715)
-	346,174	-	-
-	-	-	(568,987)
<u>\$ 2,088,211</u>	<u>\$ 5,015,048</u>	<u>\$ 2,443</u>	<u>(8,012,417)</u>

General revenues	
Property taxes	6,705,827
Sales taxes	1,245,229
Other taxes	43,537
Investment income	2,247
Payments in lieu of taxes	31,080
Gain on sale of assets	22,254
Miscellaneous income	82,429
Total general revenues	<u>8,132,603</u>
Change in net position	120,186
Net position - beginning	7,354,380
Prior period adjustment	290,210
Net position - ending	<u>\$ 7,764,776</u>

See accompanying notes to the financial statements.

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**FUND FINANCIAL STATEMENTS**

**HOUSTON COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Road and Bridge Fund Pct No. 1</u>	<u>Road and Bridge Fund Pct No. 2</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,967,058	\$ 97,146	\$ 133,130
Certificates of deposit	734,261	-	-
Receivables			
Property taxes	587,868	-	-
Sales taxes	238,941	-	-
Grants	31,562	-	-
Other - miscellaneous	62,584	-	-
Due from other funds	-	-	5,973
Prepaid items	76,955	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,699,229</u>	<u>\$ 97,146</u>	<u>\$ 139,103</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	335,713	18,367	13,780
Due to other funds	75,857	-	-
Unearned revenues	64,517	-	-
Total liabilities	<u>476,087</u>	<u>18,367</u>	<u>13,780</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	563,738	-	-
Total deferred inflows of resources	<u>563,738</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	76,955	-	-
Restricted	734,261	-	-
Assigned	-	78,779	125,323
Unassigned	1,848,188	-	-
Total fund balances	<u>2,659,404</u>	<u>78,779</u>	<u>125,323</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 3,699,229</u>	<u>\$ 97,146</u>	<u>\$ 139,103</u>



Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Ike Grant	Nonmajor Governmental Funds	Total Governmental Funds
\$ 22,800	\$ 78,700	\$ 17	\$ 1,097,961	\$ 3,396,812
-	-	-	-	734,261
-	-	-	27,739	615,607
-	-	-	-	238,941
-	-	1,013,182	865,218	1,909,962
-	-	-	33,928	96,512
-	-	3	76,809	82,785
-	-	-	3,459	80,414
<u>\$ 22,800</u>	<u>\$ 78,700</u>	<u>\$ 1,013,202</u>	<u>\$ 2,105,114</u>	<u>\$ 7,155,294</u>
\$ -	\$ -	\$ 2,570	\$ 706,195	\$ 708,765
11,375	28,079	1,010,632	244,014	1,661,960
-	-	-	6,928	82,785
-	-	-	9,643	74,160
<u>11,375</u>	<u>28,079</u>	<u>1,013,202</u>	<u>966,780</u>	<u>2,527,670</u>
-	-	-	25,813	589,551
-	-	-	25,813	589,551
-	-	-	3,459	80,414
-	-	-	926,740	1,661,001
11,425	50,621	-	190,728	456,876
-	-	-	(8,406)	1,839,782
<u>11,425</u>	<u>50,621</u>	<u>-</u>	<u>1,112,521</u>	<u>4,038,073</u>
<u>\$ 22,800</u>	<u>\$ 78,700</u>	<u>\$ 1,013,202</u>	<u>\$ 2,105,114</u>	<u>\$ 7,155,294</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Total fund balances - governmental funds balance sheet	\$ 4,038,073
Amounts reported for governmental activities in the statement of activities are different because:	
Net pension assets are not financial resources and therefore, are not reported in the governmental funds.	251,571
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	14,897,058
Pension contributions made subsequent to the plan measurement date consume current financial resources, but relate to subsequent pension plan measurement periods. Accordingly, this amount is excluded from the net pension liability calculation and reported as a deferred outflow of resources.	251,882
Differences between projected pension plan investment earnings and actual investment earnings are not current financial resources and therefore, are not reported in the governmental funds.	132,620
Certain revenues are not available to pay current period expenditures and therefore, are reported as deferred inflows in the governmental funds.	558,770
Payables for accrued interest on long-term liabilities and accrued compensated absences are not due in the current period and therefore, are not reported in the governmental funds.	(266,400)
Differences between expected and actual pension plan economic experience do not consume current financial resources and therefore, are not reported in the governmental funds.	(28,474)
Payables for long-term liabilities, including certificates of obligations and capital leases, are not due in the current period and therefore, are not reported in the governmental funds.	<u>(12,070,324)</u>
Net position of governmental activities	<u>\$ 7,764,776</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 5,727,992	\$ -	\$ -
General sales and use taxes	1,245,229	-	-
Selective sales and use taxes	7,623	-	-
Fees, licenses, and permits	258,694	112,353	134,134
Charges for services	670,841	-	-
Fines and forfeitures	129,715	-	-
Intergovernmental revenue and grants	179,039	6,530	8,593
Contributions and donations from private sources	486	-	82,196
Payments in lieu of taxes	31,080	-	-
Investment earnings	2,019	-	-
Other revenue	19,702	20,259	20,259
Total revenues	<u>8,272,420</u>	<u>139,142</u>	<u>245,182</u>
<b>EXPENDITURES</b>			
General government	2,601,796	-	-
Judicial and law enforcement	3,961,642	-	-
Highways and streets	-	324,510	387,395
Health and welfare	-	-	-
Culture and recreation	121,799	-	-
Pass-through expenditures	-	-	-
Capital outlay	121,226	133,518	107,751
Debt service			
Principal	13,998	30,133	44,395
Interest	441	371	1,958
Total expenditures	<u>6,820,902</u>	<u>488,532</u>	<u>541,499</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
<b>OVER EXPENDITURES</b>	<u>1,451,518</u>	<u>(349,390)</u>	<u>(296,317)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	10,112	963	10,334
Proceeds from capital leases	15,867	125,877	107,751
Transfers in	43,084	230,123	308,766
Transfers out	(1,553,194)	-	-
Net other financing sources (uses)	<u>(1,484,131)</u>	<u>356,963</u>	<u>426,851</u>
<b>NET CHANGE IN FUND BALANCE</b>	(32,613)	7,573	130,534
<b>FUND BALANCE - BEGINNING OF YEAR</b>	2,818,779	74,857	601
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(126,762)</u>	<u>(3,651)</u>	<u>(5,812)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,659,404</u>	<u>\$ 78,779</u>	<u>\$ 125,323</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Ike Grant	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 949,213	\$ 6,677,205
-	-	-	-	1,245,229
-	-	-	35,914	43,537
155,595	144,865	-	266,467	1,072,108
-	-	-	85,461	756,302
-	-	-	130,086	259,801
9,968	9,280	2,469,750	2,194,647	4,877,807
53,209	2,000	-	1,793	139,684
-	-	-	-	31,080
-	-	16	212	2,247
-	-	-	22,209	82,429
<u>218,772</u>	<u>156,145</u>	<u>2,469,766</u>	<u>3,686,002</u>	<u>15,187,429</u>
-	-	-	192,712	2,794,508
-	-	-	891,805	4,853,447
513,265	439,809	2,472,199	853,882	4,991,060
-	-	-	347,604	347,604
-	-	-	-	121,799
-	-	-	346,174	346,174
-	124,441	-	17,167	504,103
48,293	49,000	-	400,178	585,997
887	505	-	576,441	580,603
<u>562,445</u>	<u>613,755</u>	<u>2,472,199</u>	<u>3,625,963</u>	<u>15,125,295</u>
<u>(343,673)</u>	<u>(457,610)</u>	<u>(2,433)</u>	<u>60,039</u>	<u>62,134</u>
116	729	-	-	22,254
-	84,390	-	-	333,885
351,240	327,017	2,452	715,976	1,978,658
-	-	-	(425,464)	(1,978,658)
<u>351,356</u>	<u>412,136</u>	<u>2,452</u>	<u>290,512</u>	<u>356,139</u>
7,683	(45,474)	19	350,551	418,273
11,073	100,345	(19)	777,150	3,782,786
<u>(7,331)</u>	<u>(4,250)</u>	<u>-</u>	<u>(15,180)</u>	<u>(162,986)</u>
<u>\$ 11,425</u>	<u>\$ 50,621</u>	<u>\$ -</u>	<u>\$ 1,112,521</u>	<u>\$ 4,038,073</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balance - governmental funds	\$	418,273
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the statement of activities.		504,103
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.		(1,144,829)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		28,623
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.		585,997
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals) decreases net position.		(21,458)
Proceeds from the issuance of long-term debt (e.g. bonds, leases) do not provide revenue in the statement of activities, but are reported as current resources in the governmental funds.		(333,885)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.		(82,657)
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.		154,404
Amount represents the change in financing activity from the beginning of the period to the end of the period.		<u>11,615</u>
Change in net position of governmental activities	\$	<u><u>120,186</u></u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,524,964
<b>TOTAL ASSETS</b>	<u>\$ 1,524,964</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 1,170,396
Due to other units	<u>354,568</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,524,964</u>

See accompanying notes to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

The financial statements of Houston County, Texas (the “County”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the County are discussed below.

**Reporting Entity**

Houston County, Texas (the “County”) is a public corporation and political subdivision of the State of Texas. The County is governed by an elected Commissioners’ Court, comprised of the County Judge and four Commissioners. The County provides the following services as authorized by the laws of the State of Texas: general government (e.g. tax collection), judicial (courts, juries, district attorney, etc.), law enforcement (sheriff, jail, etc.), highways and streets, and public welfare (e.g. juvenile services and assistance to indigents).

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, these financial statements should present the County (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading. The County does not have any blended or discretely presented component units.

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the activities of the County as a whole. *Governmental activities* include programs normally supported by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

**Implementation of New Standards**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), establishes reporting standards for public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. As a result of the implementation of GASB 68, the financial statements reflect a restatement and increase of beginning

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

government-wide net position in the amount of \$224,676 for net pension assets that were previously not required to be reported on the financial statements. *See also note that follows, Prior Period Adjustments.*

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (“GASB 69”), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. Implementation of GASB 69 did not have an impact on the County’s financial disclosures.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”), establishes accounting and financial reporting standards related to local governments that extend and receive nonexchange financial guarantees. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. Implementation of GASB 70 did not have an impact on the County’s financial disclosures.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (“GASB 71”), eliminates the source of a potential understatement of restated beginning net position and expense in the first year of implementation of GASB 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. As a result of the implementation of GASB 71, the financial statements reflect a restatement and increase of beginning government-wide net position in the amount of \$228,520 for pension plan contributions made after the pension plan’s measurement date. *See also note that follows, Prior Period Adjustments.*

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and donations are recognized as revenue in the fiscal year in which grantor eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The County considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

Major governmental fund revenue sources susceptible to accrual include: sales and use taxes, property taxes, and investment income. In general, all other revenue items are considered to be measurable and available only when cash is received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The County’s funds are classified as either governmental or fiduciary and are described below.

*Governmental Funds.* Governmental funds are used to account for all or most of a government’s general activity.

The *general fund* is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

revenues include local property taxes, fines, fees, license and permits, and intergovernmental revenue and grants. Expenditures include general government; judicial; public safety; and health and welfare.

The *debt service fund* is used to account for the collection of interest and sinking funds collected and expenditures for the payment of the County's certificates of obligation.

*Special revenue funds* are used to account for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.

*Fiduciary funds* account for assets held by a government in a trustee or agency capacity on behalf of others.

*Agency funds* are used to account for assets received and held for the benefit of other funds, individuals, or organizations. Agency funds held by the county function as clearing accounts and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

As of September 30, 2015, the general fund, and Ike grant fund are reported as major governmental funds. Additionally, the County has elected to present the road and bridge funds for precincts 1, 2, 3, and 4 as major funds due to their significance within the County.

The County has no proprietary funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the County's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the County that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

**Deposits and Investments**

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, certificates of deposit, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at fair value.

Certificates of deposit consist of deposits with original maturities greater than three months. Certificates of deposit are recorded at cost, which approximates market value at September 30, 2015.

The County is required by the Public Funds Collateral Act (Government Code, chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation (FDIC). As of the balance sheet date, the County's cash deposits were fully collateralized by securities pledged by the depository banks. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the County appears to have complied with the requirements of the Public Funds Collateral Act.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

The County is required by the Public Funds Investment Act (Government Code, chapter 2256) (the “Act”) to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups, and bid requirements for certificates of deposit.

The County is authorized to invest in financial instruments, as authorized by the Act, including:

- U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America;
- obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent;
- fully insured or collateralized certificates of deposit at commercial banks;
- repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement;
- joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (the pool must be continuously rated no lower than “AAA” or “AAA-m” by at least one nationally recognized rating service).

The Act also requires an annual audit of investment practices. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the County appears to have complied with the requirements of the Public Funds Investment Act.

**Fair Value of Financial Instruments**

The County evaluates the fair value of its non-investment financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying value of all non-investment financial instruments, including debt, is considered to approximate fair value.

**Receivables**

Property tax receivables reflect outstanding and delinquent property tax levies and are shown net of an allowance for uncollectibles. The property tax receivable allowance is calculated based on historical collection rates.

**Restricted Assets**

Certain assets are classified as restricted because they are maintained in separate accounts and their use is limited by applicable bond covenants, grant agreements, laws or regulations, and/or other contractual agreements.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.



**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**Capital Assets, Depreciation, and Amortization**

The County's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the applicable governmental type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Infrastructure assets are a subset of capital assets and primarily consist of roads and bridges. GASB No. 34 encourages but does not require Phase 3 governments (counties with revenues of less than \$10 million) to retroactively report major general infrastructure assets. New roads and bridges acquired after October 1, 2003 are required to be reported. No capital expenditures for roads or bridges were made during the year.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The estimated useful lives of the County's capital assets are as follows:

Buildings and improvements	5 to 40 years
Office furniture and equipment	3 to 10 years
Other equipment and rolling stock	3 to 10 years
Infrastructure	20 years

**Deferred Inflows/Outflows of Resources**

*Deferred Outflows of Resources.* In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The County has two types of items, which arise only under a full accrual basis of accounting, that qualify for reporting in this category: 1) unamortized differences – pension plan projected and actual investment earnings, is recognized as a component of pension expense at an actuarially determined rate; and 2) pension contributions subsequent to the plan measurement date, is recognized as a component of pension expense in the following fiscal year.

*Deferred Inflows of Resources.* In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category: 1) unavailable revenue – property taxes, which arises only under a modified accrual basis of accounting, is reported only on the governmental funds balance sheet and recognized as an inflow of resources in the period that the amounts become available; and 2) unamortized differences – pension plan expected and actual economic experience, which arises only under a full accrual basis of accounting, is reported on the government-wide statement of net position and is recognized as a component of pension expense at an actuarially determined rate.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**Compensated Absences**

A liability for unused vacation time, comp time, and holiday pay for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- Leave or compensation is attributable to services already rendered;
- Leave or compensation is not contingent on a specific event (such as illness).

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the bond premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period such activity occurs. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financial sources and as capital outlay in the acquiring fund. Lease payments representing both principal and interest are recorded as expenditures in the applicable fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**Pensions**

For purposes of measuring the net pension liability/net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (“TCDRS”) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position and Fund Balances**

In the government-wide financial statements, the difference between the County’s total assets and total liabilities represents net position. Net position is displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. At September 30, 2015, restricted net position represents monies that are legally restricted for payment of debt service, law enforcement costs, grant costs, or other activities for which special assessments or revenues have been received. Restricted net position also includes time deposits held as collateral by lenders. Unrestricted net position represents the net assets available for future operations.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes due to constraints imposed on resources either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Commissioners’ Court – the government’s highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commissioners’ Court.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets and Budgetary Process**

The County Judge submits an annual budget to the Commissioners Court for review and approval prior to September of the upcoming fiscal year. Routinely, several budget workshops are held in which the original budget is reviewed and possibly revised. In September, the Commissioners Court and County Judge adopt the annual budget for the General Fund and selected Special Revenue funds.

A proposed annual operating budget is filed by the County Judge and Commissioners’ Court with the County Clerk’s office and made available for public inspection at least 15 days prior to public budget hearing. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted by the Commissioners’ Court on or before October 1, as required by statute. Only the Commissioners’ Court may amend the budget. Under state statute, actual expenditures cannot exceed budgetary appropriations at any level for which the budget is formally approved. Budgets are adopted for all funds except the fiduciary funds.

Subsequent to approval, the Commissioners Court and County Judge may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures. The County amended its budget several times during the year, with all budget amendments being approved by an act of the Commissioners Court.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**DETAILED NOTES ON ALL FUNDS**

**ASSETS**

**Deposits and Investments**

*Interest Rate Risk.* In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the maturity of any single investment to twelve months or less.

*Credit Risk.* State law and the County's investment policy limit investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires funds on deposit at depository banks to be collateralized. As of September 30, 2015, the County's cash deposits with depository banks totaled \$5,170,572. Included in the balances are certificates of deposit totaling \$734,261 and agency funds in the amount of \$1,532,952. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$6,894,756, in addition to FDIC coverage.

**Receivables**

*Receivable and Uncollectible Accounts.* Receivables at year end for the County's individual major funds, including the related allowances for uncollectible accounts are as follows:

	Property Taxes	Sales Taxes	Grants	Other	Totals
Receivables by fund					
General fund	\$ 587,868	\$ 238,941	\$ 31,562	\$ 62,584	\$ 920,955
Road and bridge	-	-	-	-	-
Ike fund	-	-	1,013,182	-	1,013,182
Nonmajor funds	<u>27,739</u>	<u>-</u>	<u>865,218</u>	<u>33,928</u>	<u>926,885</u>
Total receivables, gross	<u>615,607</u>	<u>238,941</u>	<u>1,909,962</u>	<u>96,512</u>	<u>2,861,022</u>
Allowance for for uncollectibles	<u>(30,781)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,781)</u>
Total receivables, net	<u>\$ 584,826</u>	<u>\$ 238,941</u>	<u>\$ 1,909,962</u>	<u>\$ 96,512</u>	<u>\$ 2,830,241</u>

*Property Taxes.* Property taxes attach as an enforceable lien on property as of January 1. Property taxes are due October 1 and become delinquent January 31. The combined tax rate to finance general governmental services and principal and interest on general long term debt for the year ended September 30, 2015 (tax year 2014), was \$.465 per \$100 of assessed valuation. Of this rate, \$.06569 was allocated to debt service and \$.39931 was allocated to maintenance and operation.

Of the \$615,607 in property taxes receivable, \$424,936 represents the outstanding balances of assessments for tax years 2013 and prior.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2015, is as follows:

	<u>Balance</u> <u>09/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2015</u>
Capital assets, not being depreciated				
Land	\$ 140,320	\$ -	\$ -	\$ 140,320
Construction in progress	<u>21,458</u>	<u>5,050</u>	<u>(21,458)</u>	<u>5,050</u>
Total not being depreciated	<u>161,778</u>	<u>5,050</u>	<u>(21,458)</u>	<u>145,370</u>
Capital assets, being depreciated				
Buildings and improvements	18,195,482	-	-	18,195,482
Infrastructure	72,792	-	-	72,792
Rolling stock	6,543,030	486,937	(152,634)	6,877,333
Furniture and equipment	<u>1,552,074</u>	<u>12,116</u>	<u>(45,413)</u>	<u>1,518,777</u>
Total being depreciated	<u>26,363,378</u>	<u>499,053</u>	<u>(198,047)</u>	<u>26,664,384</u>
Less accumulated depreciation:				
Buildings and improvements	(4,723,611)	(565,214)	-	(5,288,825)
Infrastructure	(10,248)	(3,640)	-	(13,888)
Rolling stock	(4,940,842)	(501,420)	152,634	(5,289,628)
Furniture and equipment	<u>(1,291,213)</u>	<u>(74,555)</u>	<u>45,413</u>	<u>(1,320,355)</u>
Total accumulated depreciation	<u>(10,965,914)</u>	<u>(1,144,829)</u>	<u>198,047</u>	<u>(11,912,696)</u>
Total being depreciated, net	<u>15,397,464</u>	<u>(645,776)</u>	<u>-</u>	<u>14,751,688</u>
Total capital assets, net	<u>\$ 15,559,242</u>	<u>\$ (640,726)</u>	<u>\$ (21,458)</u>	<u>\$ 14,897,058</u>
				<u>Less associated debt (12,070,324)</u>
				<u>Invested in capital assets, net of related debt \$ 2,826,734</u>

Depreciation expense was charged to the following functions/programs of governmental activities as follows:

General government	\$ 60,798
Judicial and law enforcement	614,851
Highways and streets	395,644
Health and welfare	11,267
Culture and recreation	<u>62,269</u>
Total	<u>\$ 1,144,829</u>

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**LIABILITIES**

**Capital Leases**

The County has entered into lease agreements as lessee for financing the acquisition of machinery and equipment and vehicles. The agreements accrue interest at rates from 1.02% to 1.15% and are all for durations greater than one year. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Asset:				
Rolling stock	\$ 73,117	\$ 674,607	\$ -	\$ 747,724
Less accumulated depreciation	<u>(16,592)</u>	<u>(209,398)</u>	<u>-</u>	<u>(225,990)</u>
Total	<u>\$ 56,525</u>	<u>\$ 465,209</u>	<u>\$ -</u>	<u>\$ 521,734</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

<u>Year ending September 30,</u>	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
2016	\$ 22,295	\$ 158,801	\$ -	\$ 181,096
2017	22,068	112,560	-	134,628
2018	5,343	106,903	-	112,246
2019	-	63,842	-	63,842
2020	-	65,317	-	65,317
2021 - 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	\$ 49,706	\$ 507,423	\$ -	\$ 557,129
Less amount representing interest	<u>(843)</u>	<u>(13,199)</u>	<u>-</u>	<u>(14,042)</u>
Present value of minimum lease payments	<u>\$ 48,863</u>	<u>\$ 494,224</u>	<u>\$ -</u>	<u>\$ 543,087</u>

**Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Balance 09/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/15</u>	<u>Due Within One Year</u>
2008 Certificates	\$ 12,130,000	\$ -	\$ (390,000)	\$ 11,365,000	\$ 405,000
Capital leases	<u>405,199</u>	<u>333,885</u>	<u>(195,997)</u>	<u>543,087</u>	<u>175,390</u>
	\$ 12,160,199	\$ 333,885	\$ (585,997)	\$ 11,908,087	\$ 580,390
Unamortized premium	<u>171,780</u>	<u>-</u>	<u>(9,543)</u>	<u>162,237</u>	<u>-</u>
Total long- term liabilities	<u>\$ 12,331,979</u>	<u>\$ 333,885</u>	<u>\$ (595,540)</u>	<u>\$ 12,070,324</u>	<u>\$ 580,390</u>

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

The annual debt service requirements to maturity for long-term debt (excluding the unamortized bond premium) are as follows:

Year Ending September 30,	Certificates of Obligation		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 405,000	\$ 559,320	\$ 175,390	\$ 5,707	\$ 580,390	\$ 565,027
2017	425,000	542,214	130,764	3,864	555,764	546,078
2018	445,000	524,258	109,766	2,480	554,766	526,738
2019	460,000	504,681	62,517	1,325	522,517	506,006
2020	485,000	482,436	64,650	665	549,650	483,101
2021-2025	2,820,000	2,012,806	-	-	2,820,000	2,012,806
2026-2030	3,640,000	1,198,199	-	-	3,640,000	1,198,199
2031-2035	<u>2,685,000</u>	<u>216,169</u>	<u>-</u>	<u>-</u>	<u>2,685,000</u>	<u>216,169</u>
Totals	<u>\$11,365,000</u>	<u>\$ 6,040,083</u>	<u>\$ 543,087</u>	<u>\$ 14,041</u>	<u>\$11,908,087</u>	<u>\$ 6,054,124</u>

At year end, the County had cash totaling \$28,343 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2015, are comprised of the following:

*Certificates of Obligation, Series 2008.* On August 15, 2008, the County issued \$13,499,998 of certificates of obligation. The bonds were issued as follows: \$14,998 of capital appreciation certificates maturing in February, 2009 and a yield to maturity of 2.350%; \$8,580,000 of current interest serial certificates bearing interest at rates of 4.000% to 5.250% and maturing from 2010 to 2029; and \$4,905,000 of current interest term certificates bearing interest at rates of 5.125% to 5.250% with maturities of 2028 and 2033. The term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates beginning in 2027 and 2030. The proceeds were used to construct and equip a new county jail. The certificates were issued with a reoffering premium of \$229,040. The premium is reported on the statement of net position and is being amortized over the life of the bonds as a component of interest expense.

The bonds are secured by the County's ad valorem taxes and require annual payments of principal and semi-annual payments of interest at varying amounts. The bond indenture allows the County to pay the bonds from the proceeds of an additional ad valorem tax that may be levied by the County, and the County has pledged any such proceeds to secure the payment. The bonds have been recorded in the debt service fund.

*Capital Leases.* The County has entered into various lease purchase agreements for the purpose of purchasing equipment. During the year, the County paid-off two existing leases and incurred two new leases. The agreements accrue interest at rates from 1.02% to 1.15% and are all for durations greater than one year. Each lease purchase is collateralized by the equipment that each respective agreement serves to finance as well as certificates of deposit totaling \$734,261 held at the County's financial institution.

**Bond Compliance Requirements**

The bond ordinances require that during the period in which the bonds are outstanding, the County must create and maintain certain accounts or funds to receive the proceeds from the sale of the bonds and to account for the revenues (as defined) and/or taxes, which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**Interfund Receivables, Payables, and Transfers**

*Interfund Balances.* Interfund receivable and payable balances are the result of cash needed by a special revenue fund until the fund is able to generate sufficient revenues to cover expenditures. These receivables and payables are netted and eliminated on the government-wide statement of net position. Interfund receivable and payable balances at September 30, 2015 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ (75,857)
Road and Bridge Precinct No. 2	5,973	-
Ike Grant	3	-
Nonmajor	<u>76,809</u>	<u>(6,928)</u>
Totals	<u>\$ 82,785</u>	<u>\$ (82,785)</u>

*Interfund Transfers.* Transfers between funds are indicative of funding for capital projects; lease payments or debt service; subsidies of various County operations; and re-allocations of special revenues. The following schedule summarizes the County's transfers at September 30, 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 43,084	\$ (1,553,194)
Road and Bridge Precinct No. 1	230,123	-
Road and Bridge Precinct No. 2	308,766	-
Road and Bridge Precinct No. 3	351,240	-
Road and Bridge Precinct No. 4	327,017	-
Ike Grant	2,452	-
Nonmajor	<u>715,976</u>	<u>(425,464)</u>
Totals	<u>\$ 1,978,658</u>	<u>\$ (1,978,658)</u>

**Defined Benefit Pension Plan**

*Plan Description.* Houston County participates as one of 656 plans in the non-traditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

*Benefits Provided.* The County provides retirement benefits for all of its full-time employees. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS.

Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw personal contributions in a lump sum are not entitled to County-contributed amounts.



**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**Employees Covered by Benefit Terms.** At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	106
Active employees	150
	313

**Contributions and Actuarial Information.** The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings. The employee contribution rate may be changed by the County, within the options available in the TCDRS Act. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually, and the employer is required to contribute at that rate. The employer may increase its contribution rate and/or make additional contributions in excess of its annual required contribution.

The County has not elected the annually determined contribution rate (“ADCR”) plan provisions of the TCDRS Act. The County contributed using the actuarially determined rate of 6.96% for calendar year 2014 and 7.00% for calendar year 2015. The contribution rate payable by the employee members for fiscal year 2015 is the rate of 7.00% as adopted by the County. For fiscal year 2015, the County’s required contributions equaled actual contributions which totaled \$318,721.

The County’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2014, and the Total Pension Liability (“TPL”) used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial Assumptions.** The required contribution was determined as part of the December 31, 2014, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2014, included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The total pension liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2014, was 9.2 years.

Salary increases were based on a service-related table. Mortality rates for active members were based on the gender-distinct RP2000 Active Employee Mortality Table with projection scale AA, with males calculated with a two-year set-forward, and with females calculated with a four-year setback. Mortality rates for retirees, beneficiaries, and non-depositing members were based on the gender-distinct RP2000 Combined Mortality Table with projection scale AA, with males calculated with a one-year set-forward, and with females calculated with no age adjustment. For disabled annuitants, the gender-distinct RP2000 Disabled Mortality Table is used, with projection scale AA, with no age adjustment for males and with a two-year set-forward for females.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2009 through December 31, 2012. Assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

are provided by TCDRS' investment consultant. The numbers shown are based on January 2015 information for a 7 to 10-year time horizon.

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed for the period January 1, 2009 - December 31, 2013. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table that follows:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Geometric)</u>
US equities	16.5%	5.35%
Private equity	12.0%	8.35%
Global equities	1.5%	5.65%
International equities - developed	11.0%	5.35%
International equities - emerging	9.0%	6.35%
Investment-grade bonds	3.0%	0.55%
High-yield bonds	3.0%	3.75%
Opportunistic credit	5.0%	5.54%
Direct lending	2.0%	5.80%
Distressed debt	3.0%	6.75%
REIT equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master limited partnerships	2.0%	5.30%
Private real estate partnerships	3.0%	7.20%
Hedge funds	<u>25.0%</u>	5.15%
Total	100.0%	

**Discount Rate.** The discount rate used to measure the Total Pension Liability was 8.10%, which is net of investment expenses and increased by 0.10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

*Changes in the Net Pension Liability/Asset.* A schedule of changes in net pension liability/asset is as follows:

	<u>Increase (Decrease)</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 11,458,089	\$ 11,682,765	\$ (224,676)
Changes for the year:			
Service cost	478,176	-	478,176
Interest on total pension liability	930,594	-	930,594
Effect of economic/demographic (gains) or losses	(37,965)	-	(37,965)
Refund of contributions	(91,199)	(91,199)	-
Benefit payments	(324,302)	(324,302)	-
Administrative expenses	-	(9,385)	9,385
Employer contributions	-	297,141	(297,141)
Member contributions	-	298,850	(298,850)
Net investment income	-	797,258	(797,258)
Other	-	13,836	(13,836)
Net changes	<u>955,304</u>	<u>982,199</u>	<u>(26,895)</u>
Balance at 12/31/2014	<u>\$ 12,413,393</u>	<u>\$ 12,664,964</u>	<u>\$ 251,571</u>

*Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate.* The following presents the net pension liability/asset of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 13,996,022	\$ 12,413,392	\$ 11,105,995
Fiduciary net position	<u>12,664,964</u>	<u>12,664,964</u>	<u>12,664,964</u>
Net pension liability (asset)	<u>\$ 1,331,058</u>	<u>\$ (251,571)</u>	<u>\$ (1,558,969)</u>

*Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions.* For the year ended September 30, 2015, the County recognized net pension (benefit) expense of \$166,100. Net pension (benefit) expense was charged to functions/programs as follows:

<u>Function/program</u>	<u>Governmental Activities</u>
General government	\$ 28,994
Judicial and law enforcement	101,868
Highways and streets	29,857
Health and welfare	3,934
Culture and recreation	<u>1,447</u>
Total	<u>\$ 166,100</u>

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

At September 30, 2015, the County reported deferred amounts related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (28,474)
Difference between projected and actual investment earnings	132,620	-
Contributions subsequent to the measurement date	<u>251,882</u>	<u>-</u>
Totals, governmental activities	384,502	(28,474)
Less: contributions subsequent to measurement date	<u>(251,882)</u>	<u>-</u>
Totals, all activities	<u>\$ 132,620</u>	<u>\$ (28,474)</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$251,882, will be recognized as a reduction of the net pension liability/asset for the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
2015	\$ 33,155	\$ (9,491)	\$ 23,664
2016	33,155	(9,491)	23,664
2017	33,155	(9,492)	23,663
2018	33,155	-	33,155
2019	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 132,620</u>	<u>\$ (28,474)</u>	<u>\$ 104,146</u>

**Post-Employment Health Insurance Benefits**

*Plan Description.* Houston County provides post-employment group medical insurance benefits for retired employees that have more than eight years of continuous service with the County. The County's premium contribution portions are as follows:

<u>Years of Service (continuous)</u>	<u>County Portion</u>
8 - 11	25%
12 - 15	50%
16 - 19	75%
20 or more	100%

When a retiree or their spouse reaches Medicare eligibility, Medicare becomes primary and the County plan becomes secondary. The County does not contribute toward the coverage for retirees who do not meet the eligibility requirements stated previously. The plan began during the year ended September 30, 2015 and is funded on a pay-as-you-go basis. A separate, audited GAAP-basis post-employment benefit plan report and actuarial data are not available for this plan.

*Funding Policy.* The County may contribute all, part, or none of the premium payment and the County's contribution, if any, is determined annually by Commissioners Court during the County budget process and is effective on a fiscal year basis. For the year ended September 30, 2015 the County contributed \$7,793 toward post-employment health insurance benefits.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**OTHER INFORMATION**

**Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The County provides insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this coverage during the current year.

**Contingent Liabilities**

All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may be required to be repaid to the granting agency. Amounts payable by the County in its capacity as a pass-through grantor have been accrued along with an offsetting grant receivable (i.e. should expenditures claimed by subrecipients be disallowed by the granting agency(ies), no liability to the County would exist). The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**Prior Period Adjustment**

Prior period adjustments have been made to the financial statements to reflect changes made to fund balances and net position that resulted from a previously unrecorded payroll expense accrual, and changes made to net position resulting from implementation of GASB accounting pronouncements, *see also preceding note, Implementation of New Standards*. Adjustments are summarized as follows:

Adjustments – Governmental Activities	Increase (Decrease)
Fund balance	
Accrued payroll expenses	\$ (162,986)
Total adjustments to fund balance	<u>\$ (162,986)</u>
Net position	
Accrued payroll expenses	\$ (162,986)
Net pension liability/asset – GASB 68	224,676
Pension contributions after plan measurement date – GASB 71	<u>228,520</u>
Total adjustments to net position	<u>\$ 290,210</u>

**Subsequent Events**

*Houston County, Texas General Obligation Refunding Bonds, Series 2015*. In October, 2015, the County issued \$8,995,000 of general obligation refunding bonds carrying interest at rates of 2.00% to 4.00%. The County issued the bonds to advance refund a callable portion (\$8,635,000) of the outstanding *Certificates of Obligation, Series 2008* with interest at rates of 5.00% to 5.25% and original maturities of 2022-2033. The County used the net proceeds to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2008 series bonds. The advance refunding was calculated by the County's financial adviser to have reduced total debt service payments over the next 18 years by over \$1,457,000.

Management has evaluated subsequent events through June 24, 2016, the date when the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav)
	Adopted	Appropriated		Final to Actual
<b>REVENUES</b>				
Property taxes	\$ 5,589,694	\$ 5,589,694	\$ 5,727,992	\$ 138,298
General sales and use taxes	975,000	975,000	1,245,229	270,229
Selective sales and use taxes	7,500	7,500	7,623	123
Fees, licenses, and permits	219,250	219,250	258,694	39,444
Charges for services	631,418	631,418	670,841	39,423
Fines and forfeitures	105,000	105,000	129,715	24,715
Intergovernmental revenue and grants	176,844	177,724	179,039	1,315
Contributions and donations from private sources	700	700	486	(214)
Payments in lieu of taxes	33,000	33,000	31,080	(1,920)
Investment earnings	4,010	4,010	2,019	(1,991)
Other revenue	1,800	5,002	19,702	14,700
Total revenues	7,744,216	7,748,298	8,272,420	524,122
<b>EXPENDITURES</b>				
General government				
County judge	167,692	173,841	166,567	7,274
County commissioners	258,034	258,034	258,116	(82)
County clerk	136,093	136,093	132,892	3,201
Information technology	71,227	72,306	64,261	8,045
Non-departmental	710,487	595,937	521,248	74,689
Human resources	16,208	16,208	12,531	3,677
District clerk	181,869	194,343	195,923	(1,580)
County juvenile board	17,348	17,348	17,339	9
Elections	41,751	41,751	39,938	1,813
County auditor	167,062	167,062	159,101	7,961
County treasurer	137,459	137,459	132,707	4,752
County tax assessor-collector	374,211	384,070	357,697	26,373
Courthouse	173,937	181,537	173,602	7,935
Insurance	113,751	106,101	85,331	20,770
Utilities	247,000	247,000	223,063	23,937
Motor pool	10,269	10,269	7,120	3,149
Community service restitution	64,165	64,165	54,360	9,805
Unclaimed funds	4,355	4,355	-	4,355
Total general government	2,892,918	2,807,879	2,601,796	206,083
Judicial and law enforcement				
County court at law	293,466	293,466	284,713	8,753
District court	97,630	97,630	93,605	4,025
Justice of the peace, Pct No. 1	114,348	114,348	113,173	1,175
Justice of the peace, Pct No. 2	114,672	114,672	113,798	874
County attorney	301,788	313,562	297,060	16,502
District attorney	239,915	240,514	235,648	4,866
Environmental officer	50,000	54,931	53,737	1,194
County constable, Pct No. 1	43,656	43,656	42,404	1,252
County constable, Pct No. 2	37,528	37,528	25,504	12,024
Sheriff	1,421,486	1,447,334	1,392,326	55,008
Jail	1,175,360	1,217,646	1,238,139	(20,493)

**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**  
**(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
Judicial and law enforcement (continued)				
Department of public safety	38,458	38,796	38,065	731
Bail bond board	3,950	3,950	1,531	2,419
District attorney salary supplement	35,290	35,290	29,715	5,575
12th court of appeals	<u>1,500</u>	<u>1,500</u>	<u>2,224</u>	<u>(724)</u>
Total judicial and law enforcement	3,969,047	4,054,823	3,961,642	93,181
Culture and recreation				
Veteran services officer	33,272	33,272	31,532	1,740
County extension service	91,072	93,409	87,104	6,305
Texas parks and wildlife	700	700	699	1
Historical commission	<u>19,445</u>	<u>20,343</u>	<u>2,464</u>	<u>17,879</u>
Total culture and recreation	144,489	147,724	121,799	25,925
Capital outlay				
Community service restitution	16,000	16,000	15,867	133
Sheriff	<u>109,000</u>	<u>109,000</u>	<u>105,359</u>	<u>3,641</u>
Total capital outlay	125,000	125,000	121,226	3,774
Debt service				
Principal	13,998	13,998	13,998	-
Interest	<u>442</u>	<u>442</u>	<u>441</u>	<u>1</u>
Total expenditures	<u>7,145,894</u>	<u>7,149,866</u>	<u>6,820,902</u>	<u>328,964</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>598,322</u>	<u>598,432</u>	<u>1,451,518</u>	<u>853,086</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	10,112	10,112
Proceeds from notes/capital leases	16,000	16,000	15,867	(133)
Transfers in	38,225	38,225	43,084	4,859
Transfers out	<u>(1,425,102)</u>	<u>(1,530,840)</u>	<u>(1,553,194)</u>	<u>(22,354)</u>
Net other financing sources (uses)	<u>(1,370,877)</u>	<u>(1,476,615)</u>	<u>(1,484,131)</u>	<u>(7,516)</u>
NET CHANGE IN FUND BALANCE	(772,555)	(878,183)	(32,613)	845,570
FUND BALANCE - BEGINNING OF YEAR	2,818,779	2,818,779	2,818,779	-
PRIOR PERIOD ADJUSTMENT	<u>(126,762)</u>	<u>(126,762)</u>	<u>(126,762)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,919,462</u>	<u>\$ 1,813,834</u>	<u>\$ 2,659,404</u>	<u>\$ 845,570</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 1**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	116,100	116,100	112,353	(3,747)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	6,600	6,600	6,530	(70)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	20,259	20,259
Total revenues	<u>122,700</u>	<u>122,700</u>	<u>139,142</u>	<u>16,442</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	361,019	397,135	324,510	72,625
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	105,000	126,811	133,518	(6,707)
Debt service				
Principal	30,133	30,133	30,133	-
Interest	371	371	371	-
Total expenditures	<u>496,523</u>	<u>554,450</u>	<u>488,532</u>	<u>65,918</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(373,823)</u>	<u>(431,750)</u>	<u>(349,390)</u>	<u>82,360</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	963	963
Proceeds from notes/capital leases	105,000	125,877	125,877	-
Transfers in	264,323	231,073	230,123	(950)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>369,323</u>	<u>356,950</u>	<u>356,963</u>	<u>13</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,500)	(74,800)	7,573	82,373
<b>FUND BALANCE - BEGINNING OF YEAR</b>	74,857	74,857	74,857	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(3,651)</u>	<u>(3,651)</u>	<u>(3,651)</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 66,706</u>	<u>\$ (3,594)</u>	<u>\$ 78,779</u>	<u>\$ 82,373</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 2**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	151,000	151,000	134,134	(16,866)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	8,600	8,600	8,593	(7)
Contributions and donations from private sources	-	23,922	82,196	58,274
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	20,259	20,259
Total revenues	<u>159,600</u>	<u>183,522</u>	<u>245,182</u>	<u>61,660</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	461,041	451,313	387,395	63,918
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	107,751	107,751	-
Debt service				
Principal	44,395	44,395	44,395	-
Interest	1,957	1,957	1,958	(1)
Total expenditures	<u>507,393</u>	<u>605,416</u>	<u>541,499</u>	<u>63,917</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(347,793)</u>	<u>(421,894)</u>	<u>(296,317)</u>	<u>125,577</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	10,100	10,334	234
Proceeds from notes/capital leases	-	107,751	107,751	-
Transfers in	347,793	304,043	308,766	4,723
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>347,793</u>	<u>421,894</u>	<u>426,851</u>	<u>4,957</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	130,534	130,534
<b>FUND BALANCE - BEGINNING OF YEAR</b>	601	601	601	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(5,812)</u>	<u>(5,812)</u>	<u>(5,812)</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (5,211)</u>	<u>\$ (5,211)</u>	<u>\$ 125,323</u>	<u>\$ 130,534</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 3**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	170,000	170,000	155,595	(14,405)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,974	9,974	9,968	(6)
Contributions and donations from private sources	-	51,005	53,209	2,204
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>179,974</u>	<u>230,979</u>	<u>218,772</u>	<u>(12,207)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	544,229	544,484	513,265	31,219
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	48,293	48,293	48,293	-
Interest	892	892	887	5
Total expenditures	<u>593,414</u>	<u>593,669</u>	<u>562,445</u>	<u>31,224</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(413,440)</u>	<u>(362,690)</u>	<u>(343,673)</u>	<u>19,017</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	116	116
Proceeds from notes/capital leases	-	-	-	-
Transfers in	403,440	352,690	351,240	(1,450)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>403,440</u>	<u>352,690</u>	<u>351,356</u>	<u>(1,334)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,000)	(10,000)	7,683	17,683
<b>FUND BALANCE - BEGINNING OF YEAR</b>	11,073	11,073	11,073	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(7,331)</u>	<u>(7,331)</u>	<u>(7,331)</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (6,258)</u>	<u>\$ (6,258)</u>	<u>\$ 11,425</u>	<u>\$ 17,683</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 4**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	162,500	162,500	144,865	(17,635)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,275	9,275	9,280	5
Contributions and donations from private sources	-	-	2,000	2,000
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>171,775</u>	<u>171,775</u>	<u>156,145</u>	<u>(15,630)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	522,887	544,661	439,809	104,852
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	84,416	124,441	(40,025)
Debt service				
Principal	49,000	49,000	49,000	-
Interest	505	505	505	-
Total expenditures	<u>572,392</u>	<u>678,582</u>	<u>613,755</u>	<u>64,827</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(400,617)</u>	<u>(506,807)</u>	<u>(457,610)</u>	<u>49,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	729	729
Proceeds from notes/capital leases	-	84,390	84,390	-
Transfers in	375,617	328,367	327,017	(1,350)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>375,617</u>	<u>412,757</u>	<u>412,136</u>	<u>(621)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(25,000)	(94,050)	(45,474)	48,576
<b>FUND BALANCE - BEGINNING OF YEAR</b>	100,345	100,345	100,345	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(4,250)</u>	<u>(4,250)</u>	<u>(4,250)</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 71,095</u>	<u>\$ 2,045</u>	<u>\$ 50,621</u>	<u>\$ 48,576</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**IKE GRANT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	2,971,069	2,971,069	2,469,750	(501,319)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	16	16
Other revenue	-	-	-	-
Total revenues	<u>2,971,069</u>	<u>2,971,069</u>	<u>2,469,766</u>	<u>(501,303)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	2,971,069	2,971,069	2,472,199	498,870
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,971,069</u>	<u>2,971,069</u>	<u>2,472,199</u>	<u>498,870</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>-</u>	<u>-</u>	<u>(2,433)</u>	<u>(2,433)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	-	-	2,452	2,452
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,452</u>	<u>2,452</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	19	19
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	<u>(19)</u>	<u>(19)</u>	<u>(19)</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ (19)</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ 19</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS - LAST TEN YEARS \***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2014**
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 478,176
Interest on total pension liability	930,594
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	(37,965)
Benefit payments/refunds of contributions	(415,502)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>955,303</b>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<b>11,458,089</b>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>(a) \$ 12,413,392</b>
<b>PLAN FIDUCIARY NET POSITION</b>	
Employer contributions	\$ 297,141
Member contributions	298,850
Investment income, net of investment expenses	797,258
Benefit payments/refunds of contributions	(415,502)
Administrative expenses	(9,385)
Other	13,836
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>982,198</b>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<b>11,682,765</b>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>(b) \$ 12,664,963</b>
<b>NET PENSION LIABILITY (ASSET) - ENDING</b>	<b>(a - b) \$ (251,571)</b>
<b>RELATED RATIOS</b>	
Plan Fiduciary Net Position as a percentage of Total Pension Liability	102.03%
Pensionable Covered Payroll	\$ 4,269,280
Net Pension Liability (Asset) as a percentage of Covered Payroll	-5.89%

\* - GASB 68 requires ten years of data to be presented. Data for only one year is available.

\*\* - In accordance with GASB standards, the County has elected to present data calculated at the actuarial valuation/ measurement date, which occurs on December 31 of the year preceding each fiscal year.

See Independent Auditors' Report.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS\***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	318,721	318,721	-	4,559,555	7.0%

\* - GASB 68 requires ten years of data to be presented. Data for only one year is available.

See Independent Auditors' Report and Notes to the Schedule of Pension Contributions.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS**  
**SEPTEMBER 30, 2015**

**Methods and Assumptions Used to Determine Contribution Rates**

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, Closed
Amortization Period	9.2 years
Asset Valuation Method	
<i>Smoothing period</i>	5 years
<i>Recognition method</i>	Non-asymptotic
<i>Corridor</i>	None
Inflation	3.0%
Salary Increases	4.9% including inflation
Investment Rate of Return	8.0% including inflation
Cost-of-Living Adjustments	0.0%
Retirement Age	Experience-based table of rates that are specific to the County's plan of benefits. Last updated for the 2013 valuation pursuant to an experience study of the period 2009 - 2012.
Turnover	
<i>Terminated members</i>	New employees are assumed to replace any terminated members and have similar entry ages.
<i>Disability</i>	Experience-based table of rates that are specific to the County. Members who become disabled are eligible to commence benefit payments regardless of age.
Mortality	
<i>Depositing members</i>	The RP2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
<i>Service retirees, beneficiaries, and non-depositing members</i>	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
<i>Disabled retirees</i>	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

**Presentation of Schedule**

In accordance with GASB standards, the County reports contribution activity included in the Schedule of Pension Contributions based on the County's fiscal year end of September 30.

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**SUPPLEMENTARY INFORMATION**

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**COMBINING FUND STATEMENTS**

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**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 28,343	\$ 1,069,618	\$ 1,097,961
Receivables			
Property taxes	27,739	-	27,739
Grants	-	865,218	865,218
Other - miscellaneous	-	33,928	33,928
Due from other funds	19,342	57,467	76,809
Prepaid items	-	3,459	3,459
<b>TOTAL ASSETS</b>	<u>\$ 75,424</u>	<u>\$ 2,029,690</u>	<u>\$ 2,105,114</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ 706,195	\$ 706,195
Accounts payable and accrued expenses	-	244,014	244,014
Due to other funds	-	6,928	6,928
Unearned revenues	-	9,643	9,643
Total liabilities	<u>-</u>	<u>966,780</u>	<u>966,780</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	<u>25,813</u>	<u>-</u>	<u>25,813</u>
Total deferred inflows of resources	<u>25,813</u>	<u>-</u>	<u>25,813</u>
Fund balances			
Nonspendable	-	3,459	3,459
Restricted	49,611	877,129	926,740
Assigned	-	190,728	190,728
Unassigned	-	(8,406)	(8,406)
Total fund balances	<u>49,611</u>	<u>1,062,910</u>	<u>1,112,521</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 75,424</u>	<u>\$ 2,029,690</u>	<u>\$ 2,105,114</u>

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**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 949,213	\$ -	\$ 949,213
Selective sales and use taxes	-	35,914	35,914
Fees, licenses, and permits	-	266,467	266,467
Charges for services	-	85,461	85,461
Fines and forfeitures	-	130,086	130,086
Intergovernmental revenue and grants	-	2,194,647	2,194,647
Contributions and donations from private sources	-	1,793	1,793
Investment earnings	86	126	212
Other revenue	-	22,209	22,209
Total revenues	<u>949,299</u>	<u>2,736,703</u>	<u>3,686,002</u>
<b>EXPENDITURES</b>			
General government	-	192,712	192,712
Judicial and law enforcement	-	891,805	891,805
Highways and streets	-	853,882	853,882
Health and welfare	-	347,604	347,604
Culture and recreation	-	-	-
Pass-through expenditures	-	346,174	346,174
Capital outlay	-	17,167	17,167
Debt service			
Principal	390,000	10,178	400,178
Interest	576,214	227	576,441
Total expenditures	<u>966,214</u>	<u>2,659,749</u>	<u>3,625,963</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(16,915)</u>	<u>76,954</u>	<u>60,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	42,197	673,779	715,976
Transfers out	-	(425,464)	(425,464)
Net other financing sources (uses)	<u>42,197</u>	<u>248,315</u>	<u>290,512</u>
<b>NET CHANGE IN FUND BALANCE</b>	25,282	325,269	350,551
<b>FUND BALANCE - BEGINNING OF YEAR</b>	24,329	752,821	777,150
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>(15,180)</u>	<u>(15,180)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 49,611</u>	<u>\$ 1,062,910</u>	<u>\$ 1,112,521</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2015**

	Jury Fund	Airport Fund	Courthouse Security Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,858	\$ 11,161	\$ 8,349
Receivables			
Grants	-	-	-
Other - miscellaneous	7,035	-	-
Due from other funds	6,735	-	4,633
Prepaid items	1,609	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 19,237</u>	<u>\$ 11,161</u>	<u>\$ 12,982</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ 1,609	\$ -	\$ -
Accounts payable and accrued expenses	7,595	2,075	2,380
Due to other funds	-	-	-
Unearned revenues	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>9,204</u>	<u>2,075</u>	<u>2,380</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	1,609	-	-
Restricted	8,424	-	10,602
Assigned	-	9,086	-
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<u>10,033</u>	<u>9,086</u>	<u>10,602</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 19,237</u>	<u>\$ 11,161</u>	<u>\$ 12,982</u>

<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County &amp; District Court Technology</u>
\$ 2,722	\$ 141,796	\$ 1,877	\$ 10,155	\$ 14,413	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,751	-	-	297	1,187	96
-	-	-	-	-	-
<u>\$ 4,473</u>	<u>\$ 141,796</u>	<u>\$ 1,877</u>	<u>\$ 10,452</u>	<u>\$ 15,600</u>	<u>\$ 96</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96
752	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,721	141,796	-	10,452	15,600	-
-	-	1,877	-	-	-
-	-	-	-	-	-
<u>3,721</u>	<u>141,796</u>	<u>1,877</u>	<u>10,452</u>	<u>15,600</u>	<u>-</u>
<u>\$ 4,473</u>	<u>\$ 141,796</u>	<u>\$ 1,877</u>	<u>\$ 10,452</u>	<u>\$ 15,600</u>	<u>\$ 96</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2015**

	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,432	\$ 549	\$ 18,542
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	225	4	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 6,657</u>	<u>\$ 553</u>	<u>\$ 18,542</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	2,000	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>2,000</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	4,657	-	-
Assigned	-	553	18,542
Unassigned	-	-	-
Total fund balances	<u>4,657</u>	<u>553</u>	<u>18,542</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 6,657</u>	<u>\$ 553</u>	<u>\$ 18,542</u>

<u>Road &amp; Bridge Fines</u>	<u>Records Management &amp; Preservation</u>	<u>Co Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>
\$ 393	\$ -	\$ 16,917	\$ -	\$ 1,469	\$ 157,681
-	-	-	-	-	-
-	-	-	-	-	-
12,737	1,386	8,430	365	288	8,386
-	-	-	-	-	-
<u>\$ 13,130</u>	<u>\$ 1,386</u>	<u>\$ 25,347</u>	<u>\$ 365</u>	<u>\$ 1,757</u>	<u>\$ 166,067</u>

\$ -	\$ 1,386	\$ -	\$ 234	\$ -	\$ -
440	622	1,282	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>440</u>	<u>2,008</u>	<u>1,282</u>	<u>234</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,690	-	24,065	131	1,757	166,067
-	-	-	-	-	-
-	(622)	-	-	-	-
<u>12,690</u>	<u>(622)</u>	<u>24,065</u>	<u>131</u>	<u>1,757</u>	<u>166,067</u>
<u>\$ 13,130</u>	<u>\$ 1,386</u>	<u>\$ 25,347</u>	<u>\$ 365</u>	<u>\$ 1,757</u>	<u>\$ 166,067</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2015**

	District Clerk Archives	Co Attorney Pre-trial Intervention	Hot Check Fees
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,907	\$ 25,523	\$ 46,189
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	605	-	-
Prepaid items	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 9,512</u>	<u>\$ 25,523</u>	<u>\$ 46,189</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ 1,675
Accounts payable	-	242	342
Due to other funds	-	-	-
Unearned revenues	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>-</u>	<u>242</u>	<u>2,017</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	9,512	25,281	-
Assigned	-	-	44,172
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<u>9,512</u>	<u>25,281</u>	<u>44,172</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 9,512</u>	<u>\$ 25,523</u>	<u>\$ 46,189</u>

<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>
\$ 775	\$ 2,063	\$ 6,787	\$ 23,346	\$ 15	\$ 4,495
-	-	-	-	-	-
27	-	-	-	-	-
-	-	-	-	-	-
50	-	-	-	-	-
<u>\$ 852</u>	<u>\$ 2,063</u>	<u>\$ 6,787</u>	<u>\$ 23,346</u>	<u>\$ 15</u>	<u>\$ 4,495</u>

\$ 60	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	526	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>60</u>	<u>-</u>	<u>-</u>	<u>526</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
50	-	-	-	-	-
-	2,063	6,787	22,820	-	4,495
742	-	-	-	15	-
-	-	-	-	-	-
<u>792</u>	<u>2,063</u>	<u>6,787</u>	<u>22,820</u>	<u>15</u>	<u>4,495</u>
<u>\$ 852</u>	<u>\$ 2,063</u>	<u>\$ 6,787</u>	<u>\$ 23,346</u>	<u>\$ 15</u>	<u>\$ 4,495</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2015**

	District Attorney <u>Apportionment</u>	Vehicle Inventory Tax <u>Interest</u>	Miscellaneous <u>Grants</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,217	\$ 214	\$ 2,402
Receivables			
Grants	-	-	9,605
Other - miscellaneous	-	-	-
Due from other funds	486	-	-
Prepaid items	-	-	1,750
<b>TOTAL ASSETS</b>	<u>\$ 9,703</u>	<u>\$ 214</u>	<u>\$ 13,757</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ 2,213	\$ 50	\$ 4,818
Accounts payable	499	-	1,405
Due to other funds	-	-	-
Unearned revenues	7,243	-	2,400
Total liabilities	<u>9,955</u>	<u>50</u>	<u>8,623</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	1,750
Restricted	-	164	3,384
Assigned	-	-	-
Unassigned	(252)	-	-
Total fund balances	<u>(252)</u>	<u>164</u>	<u>5,134</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 9,703</u>	<u>\$ 214</u>	<u>\$ 13,757</u>



Senior Fund	Emergency Management Grant	Homeland Security Grant	Victims Assistance Grant	HAVA Grant	911 Addressing Grant
\$ 164	\$ 14,127	\$ -	\$ -	\$ -	\$ -
-	8,114	-	4,172	-	2,190
26,836	-	-	-	-	-
3,768	-	-	1,542	-	1,003
-	-	-	-	-	-
<u>\$ 30,768</u>	<u>\$ 22,241</u>	<u>\$ -</u>	<u>\$ 5,714</u>	<u>\$ -</u>	<u>\$ 3,193</u>
\$ 21,869	\$ -	\$ -	\$ 3,413	\$ -	\$ 2,199
16,431	9,765	-	2,301	-	994
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,300</u>	<u>9,765</u>	<u>-</u>	<u>5,714</u>	<u>-</u>	<u>3,193</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	12,476	-	-	-	-
-	-	-	-	-	-
(7,532)	-	-	-	-	-
<u>(7,532)</u>	<u>12,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 30,768</u>	<u>\$ 22,241</u>	<u>\$ -</u>	<u>\$ 5,714</u>	<u>\$ -</u>	<u>\$ 3,193</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2015**

	Timber & Mineral Funds	Title II Timber Funds	Juvenile Probation
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 345,595	\$ -	\$ 40,607
Receivables			
Grants	-	40,570	13,254
Other - miscellaneous	-	-	-
Due from other funds	-	-	3,543
Prepaid items	-	-	50
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 345,595</u></u>	<u><u>\$ 40,570</u></u>	<u><u>\$ 57,454</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ 4,350
Accounts payable	-	40,570	8,464
Due to other funds	-	-	-
Unearned revenues	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>          </u>	<u>          </u>	<u>          </u>
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total deferred inflows of resources</b>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances			
Nonspendable	-	-	50
Restricted	345,595	-	44,590
Assigned	-	-	-
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 345,595</u></u>	<u><u>\$ 40,570</u></u>	<u><u>\$ 57,454</u></u>

THC Courthouse Renovation	FEMA Fund	CETRZ Grant	Total Nonmajor Special Revenue Funds
\$ 113,298	\$ -	\$ 29,580	\$ 1,069,618
2,443	476,833	308,037	865,218
-	-	30	33,928
-	-	-	57,467
-	-	-	3,459
<u>\$ 115,741</u>	<u>\$ 476,833</u>	<u>\$ 337,647</u>	<u>\$ 2,029,690</u>
\$ -	\$ 427,525	\$ 234,698	\$ 706,195
-	42,380	102,949	244,014
-	6,928	-	6,928
-	-	-	9,643
<u>-</u>	<u>476,833</u>	<u>337,647</u>	<u>966,780</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	3,459
-	-	-	877,129
115,741	-	-	190,728
<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,406)</u>
<u>115,741</u>	<u>-</u>	<u>-</u>	<u>1,062,910</u>
<u>\$ 115,741</u>	<u>\$ 476,833</u>	<u>\$ 337,647</u>	<u>\$ 2,029,690</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Jury Fund	Airport Fund	Courthouse Security Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	8,550	-	9,725
Charges for services	-	43,093	-
Fines and forfeitures	-	-	4,686
Intergovernmental revenue and grants	75,354	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	21	-	-
Other revenue	-	2,042	-
	<u>83,925</u>	<u>45,135</u>	<u>14,411</u>
<b>EXPENDITURES</b>			
General government	-	61,114	-
Judicial and law enforcement	366,118	-	62,671
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
	<u>366,118</u>	<u>61,114</u>	<u>62,671</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(282,193)</u>	<u>(15,979)</u>	<u>(48,260)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	270,000	5,000	60,965
Transfers out	-	-	-
	<u>270,000</u>	<u>5,000</u>	<u>60,965</u>
<b>NET CHANGE IN FUND BALANCE</b>	(12,193)	(10,979)	12,705
<b>FUND BALANCE - BEGINNING OF YEAR</b>	22,226	20,065	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(2,103)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 10,033</u>	<u>\$ 9,086</u>	<u>\$ 10,602</u>

<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County &amp; District Court Technology</u>
\$ -	\$ 35,914	\$ -	\$ -	\$ -	\$ -
11,356	-	-	-	-	792
-	-	-	-	-	-
-	-	-	1,523	6,180	-
-	-	1,430	-	-	-
-	-	-	-	-	-
-	4	-	-	-	-
-	-	-	-	-	-
<u>11,356</u>	<u>35,918</u>	<u>1,430</u>	<u>1,523</u>	<u>6,180</u>	<u>792</u>
9,045	46,280	137	-	-	-
-	-	-	-	8,970	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	12,116
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,045</u>	<u>46,280</u>	<u>137</u>	<u>-</u>	<u>8,970</u>	<u>12,116</u>
<u>2,311</u>	<u>(10,362)</u>	<u>1,293</u>	<u>1,523</u>	<u>(2,790)</u>	<u>(11,324)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	8,181
-	-	(5,000)	-	-	-
-	-	(5,000)	-	-	8,181
2,311	(10,362)	(3,707)	1,523	(2,790)	(3,143)
1,410	152,158	5,584	8,929	18,390	3,143
-	-	-	-	-	-
<u>\$ 3,721</u>	<u>\$ 141,796</u>	<u>\$ 1,877</u>	<u>\$ 10,452</u>	<u>\$ 15,600</u>	<u>\$ -</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	1,305	57	90,695
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	-	-	1
Other revenue	-	-	-
Total revenues	<u>1,305</u>	<u>57</u>	<u>90,696</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	-	-
Highways and streets	-	-	268
Health and welfare	2,000	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>2,000</u>	<u>-</u>	<u>268</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(695)</u>	<u>57</u>	<u>90,428</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(110,000)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(110,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(695)	57	(19,572)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	5,352	496	38,114
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,657</u>	<u>\$ 553</u>	<u>\$ 18,542</u>

<u>Road &amp; Bridge Fines</u>	<u>Records Management &amp; Preservation</u>	<u>Co Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	9,196	64,543	1,966	1,402	63,805
-	-	-	-	-	-
102,584	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1	-	-	-	-	3
-	-	-	-	-	-
<u>102,585</u>	<u>9,196</u>	<u>64,543</u>	<u>1,966</u>	<u>1,402</u>	<u>63,808</u>
-	10,477	46,082	1,835	819	-
-	-	-	-	-	-
13,010	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>13,010</u>	<u>10,477</u>	<u>46,082</u>	<u>1,835</u>	<u>819</u>	<u>-</u>
<u>89,575</u>	<u>(1,281)</u>	<u>18,461</u>	<u>131</u>	<u>583</u>	<u>63,808</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(5,425)	(1,281)	18,461	131	583	63,808
18,481	659	6,736	-	1,174	102,259
<u>(366)</u>	<u>-</u>	<u>(1,132)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 12,690</u>	<u>\$ (622)</u>	<u>\$ 24,065</u>	<u>\$ 131</u>	<u>\$ 1,757</u>	<u>\$ 166,067</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	District Clerk Archives	Co Attorney Pre-trial Intervention	Hot Check Fees
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	3,075	-	-
Charges for services	-	-	-
Fines and forfeitures	-	6,462	5,542
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	-	1	15
Other revenue	-	-	-
	<u>3,075</u>	<u>6,463</u>	<u>5,557</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	8,095	11,985
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
	<u>-</u>	<u>8,095</u>	<u>11,985</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,075</u>	<u>(1,632)</u>	<u>(6,428)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	60
Transfers out	-	-	(3,525)
	<u>-</u>	<u>-</u>	<u>(3,465)</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,465)</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,075	(1,632)	(9,893)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	6,437	27,133	54,338
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>(220)</u>	<u>(273)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 9,512</u>	<u>\$ 25,281</u>	<u>\$ 44,172</u>



<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
793	-	822	-	-	-
-	-	-	-	-	6,290
-	-	-	-	206	-
-	3	2	7	-	-
-	-	-	-	-	-
<u>793</u>	<u>3</u>	<u>824</u>	<u>7</u>	<u>206</u>	<u>6,290</u>
-	-	-	-	16,923	-
335	235	712	2,259	-	5,420
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>335</u>	<u>235</u>	<u>712</u>	<u>2,259</u>	<u>16,923</u>	<u>5,420</u>
<u>458</u>	<u>(232)</u>	<u>112</u>	<u>(2,252)</u>	<u>(16,717)</u>	<u>870</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	60,000	-
(60)	-	-	-	(47,250)	-
(60)	-	-	-	12,750	-
398	(232)	112	(2,252)	(3,967)	870
394	2,295	6,675	25,072	3,982	3,625
-	-	-	-	-	-
<u>\$ 792</u>	<u>\$ 2,063</u>	<u>\$ 6,787</u>	<u>\$ 22,820</u>	<u>\$ 15</u>	<u>\$ 4,495</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	District Attorney <u>Apportionment</u>	Vehicle Inventory Tax <u>Interest</u>	Miscellaneous <u>Grants</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	27,501	-	33,385
Contributions and donations from private sources	-	-	-
Investment earnings	-	17	9
Other revenue	-	-	-
Total revenues	<u>27,501</u>	<u>17</u>	<u>33,394</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	15,178	-	45,257
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>15,178</u>	<u>-</u>	<u>45,257</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>12,323</u>	<u>17</u>	<u>(11,863)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	586	-	9,913
Transfers out	<u>(12,849)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(12,263)</u>	<u>-</u>	<u>9,913</u>
<b>NET CHANGE IN FUND BALANCE</b>	60	17	(1,950)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	147	7,084
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(312)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (252)</u>	<u>\$ 164</u>	<u>\$ 5,134</u>

Senior Fund	Emergency Management Grant	Homeland Security Grant	Victims Assistance Grant	HAVA Grant	911 Addressing Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
42,368	-	-	-	-	-
-	-	-	-	-	-
239,506	54,423	-	41,881	-	26,236
1,587	-	-	-	-	-
-	-	-	-	-	-
13,018	7,149	-	-	-	-
<u>296,479</u>	<u>61,572</u>	<u>-</u>	<u>41,881</u>	<u>-</u>	<u>26,236</u>
-	-	-	-	-	-
-	85,518	-	52,739	-	-
-	-	-	-	-	28,260
345,604	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,178	-	-	-	-	-
227	-	-	-	-	-
<u>356,009</u>	<u>85,518</u>	<u>-</u>	<u>52,739</u>	<u>-</u>	<u>28,260</u>
<u>(59,530)</u>	<u>(23,946)</u>	<u>-</u>	<u>(10,858)</u>	<u>-</u>	<u>(2,024)</u>
-	-	-	-	-	-
-	-	-	-	-	-
55,369	22,551	-	5,067	-	2,783
-	(1,780)	-	-	-	-
<u>55,369</u>	<u>20,771</u>	<u>-</u>	<u>5,067</u>	<u>-</u>	<u>2,783</u>
(4,161)	(3,175)	-	(5,791)	-	759
171	17,062	-	7,153	-	-
<u>(3,542)</u>	<u>(1,411)</u>	<u>-</u>	<u>(1,362)</u>	<u>-</u>	<u>(759)</u>
<u>\$ (7,532)</u>	<u>\$ 12,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Timber & Mineral Funds	Title II Timber Funds	Juvenile Probation
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	1,494
Intergovernmental revenue and grants	723,935	40,570	158,881
Contributions and donations from private sources	-	-	-
Investment earnings	7	-	35
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>723,942</u>	<u>40,570</u>	<u>160,410</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	-	226,313
Highways and streets	-	40,570	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	346,174	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>346,174</u>	<u>40,570</u>	<u>226,313</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>377,768</u>	<u>-</u>	<u>(65,903)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	59,343
Transfers out	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(150,000)</u>	<u>-</u>	<u>59,343</u>
<b>NET CHANGE IN FUND BALANCE</b>	227,768	-	(6,560)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	117,827	-	54,900
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(3,700)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 345,595</u>	<u>\$ -</u>	<u>\$ 44,640</u>

THC Courthouse Renovation	FEMA Funds	CETRZ Grant	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 35,914
-	-	-	266,467
-	-	-	85,461
-	-	-	130,086
2,444	288,781	474,030	2,194,647
-	-	-	1,793
-	-	-	126
-	-	-	22,209
<u>2,444</u>	<u>288,781</u>	<u>474,030</u>	<u>2,736,703</u>
-	-	-	192,712
-	-	-	891,805
-	297,744	474,030	853,882
-	-	-	347,604
-	-	-	-
-	-	-	346,174
5,051	-	-	17,167
-	-	-	10,178
-	-	-	227
<u>5,051</u>	<u>297,744</u>	<u>474,030</u>	<u>2,659,749</u>
<u>(2,607)</u>	<u>(8,963)</u>	<u>-</u>	<u>76,954</u>
-	-	-	-
-	-	-	-
118,348	(4,387)	-	673,779
-	-	-	(425,464)
<u>118,348</u>	<u>(4,387)</u>	<u>-</u>	<u>248,315</u>
115,741	(13,350)	-	325,269
-	13,350	-	752,821
-	-	-	(15,180)
<u>\$ 115,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,062,910</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2015**

	<u>County Attorney Hot Check</u>	<u>DA Forfeiture Trust Fund</u>	<u>Sheriff's Inmate Trust Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,942	\$ 20,249	\$ 18,620
TOTAL ASSETS	<u>\$ 1,942</u>	<u>\$ 20,249</u>	<u>\$ 18,620</u>
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ 18,620
Due to other units	<u>1,942</u>	<u>20,249</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,942</u>	<u>\$ 20,249</u>	<u>\$ 18,620</u>

<u>Sheriff's Commissary Funds</u>	<u>Tax Assessor's Ad Valorem</u>	<u>Tax Assessor's VIT Escrow</u>	<u>Tax Assessor's Boat Registration</u>	<u>Tax Assessor's Mobile Home Mvmt Escrow</u>	<u>Tax Assessor's Farm Fee</u>
\$ 10,844	\$ 44,619	\$ 41,588	\$ 231	\$ 4,752	\$ 365
<u>\$ 10,844</u>	<u>\$ 44,619</u>	<u>\$ 41,588</u>	<u>\$ 231</u>	<u>\$ 4,752</u>	<u>\$ 365</u>
\$ 8,072	\$ -	\$ -	\$ -	\$ -	\$ -
<u>2,772</u>	<u>44,619</u>	<u>41,588</u>	<u>231</u>	<u>4,752</u>	<u>365</u>
<u>\$ 10,844</u>	<u>\$ 44,619</u>	<u>\$ 41,588</u>	<u>\$ 231</u>	<u>\$ 4,752</u>	<u>\$ 365</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2015**

	Tax Assessor's Highway Department	Tax Assessor's Hwy Emission Reg Fee	Tax Assessor's IVTRS Account
<b>ASSETS</b>			
Cash and cash equivalents	\$ 232,525	\$ 4,565	\$ 960
TOTAL ASSETS	\$ 232,525	\$ 4,565	\$ 960
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ -
Due to other units	232,525	4,565	960
TOTAL LIABILITIES	\$ 232,525	\$ 4,565	\$ 960



<u>County Clerk Trust Fund</u>	<u>District Clerk Trust Fund</u>	<u>Total Agency Funds</u>
\$ 631,959	\$ 511,745	\$ 1,524,964
<u>\$ 631,959</u>	<u>\$ 511,745</u>	<u>\$ 1,524,964</u>
\$ 631,959	\$ 511,745	\$ 1,170,396
-	-	354,568
<u>\$ 631,959</u>	<u>\$ 511,745</u>	<u>\$ 1,524,964</u>

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**COMPLIANCE SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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Melvin R. Todd, CPA  
Daren Hamaker, CPA  
Kim Johnson, CPA  
Rachel Kennerly, CPA

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable County Judge and  
Members of the Commissioners' Court  
Houston County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Houston County, Texas' basic financial statements and have issued our report thereon dated June 24, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (findings 2015-001 and 2015-002) that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Houston County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS* – CONTINUED**

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Houston County, Texas' Response to Findings**

Houston County, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 24, 2016

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable County Judge and  
Members of the Commissioners' Court  
Houston County, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited Houston County, Texas' (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2015. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Houston County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houston County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Houston County, Texas' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Houston County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133 – CONTINUED**

**Report on Internal Control over Compliance**

Management of Houston County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Houston County, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Houston County, Texas' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 24, 2016



**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Texas Comptroller of Public Accounts			
Schools and Roads - Grants to States	10.665	-	\$ 282,348 <sup>4</sup>
Total for CFDA 10.665			<u>282,348</u>
Total U.S. Department of Agriculture:			<u>282,348</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas General Land Office			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	DRS220071/ 13-180-000-7293	<u>2,468,292</u>
Total for CFDA 14.228			<u>2,468,292</u>
Total U.S. Department of Housing and Urban Development:			<u>2,468,292</u>
<u>U.S. Department of the Interior</u>			
Passed through Texas Comptroller of Public Accounts			
National Forest Acquired Lands	15.438	-	<u>236,647 <sup>4</sup></u>
Total for CFDA 15.438			<u>236,647</u>
Total U.S. Department of the Interior:			<u>236,647</u>
<u>U.S. Department of Justice</u>			
Passed through Texas Office of the Governor			
Violence Against Women Formula Grants	16.588	WF-14V-302830601	<u>24,685</u>
Total for CFDA 16.588			<u>24,685</u>
Total U.S. Department of Justice:			<u>24,685</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Department of Family and Protective Services			
Foster Care—Title IV-E	93.658	24095781	<u>2,875</u>
Total for CFDA 93.658			<u>2,875</u>
Total U.S. Department of Health and Human Services:			<u>2,875</u>

See accompanying notes to schedule of expenditures of federal awards.

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed through Texas Department of Public Safety – Division of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1791	<u>99,635</u>
Total for CFDA 97.036			<u>99,635</u>
Emergency Management Performance Grants	97.042	2015-EP-00011 15TX-EMPG-1242	<u>31,872</u>
Total for CFDA 97.042			<u>31,872</u>
Pre-Disaster Mitigation	97.047	DR-1931 PDMC- PL-06-TX-2012-033	<u>13,828</u>
Total for CFDA 97.047			<u>13,828</u>
Total U.S. Department of Homeland Security:			<u>145,335</u>
<b>Total Federal Awards Expended:</b>			<b><u>\$ 3,160,182</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Houston County, Texas under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Houston County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston County, Texas.

**NOTE 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting and accordingly, all significant receivables, payables, and other liabilities are included. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – Presentation of Expenditures**

Expenditures included in the Schedule are reported exclusive of non-federal matching funds.

**NOTE 4 – Subrecipients**

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. Of the expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
10.665	Schools and Roads - Grants to States	\$ 191,778
15.438	National Forest Acquired Lands	136,647
Total federal awards provided to subrecipients:		<u>\$ 328,425</u>

**NOTE 5 – Other**

Pass-through entity identifying numbers are presented where available.

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**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Section I – Summary of Auditors’ Results

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***Financial Statements***

Type of auditors’ report issued: unmodified

- Material weakness(es) identified? \_\_\_\_\_ yes ✓ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ✓ yes \_\_\_\_\_ none reported

Non-compliance material to financial statements noted? \_\_\_\_\_ yes ✓ no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes ✓ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes ✓ none reported

Type of auditors’ report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.228</u>	<u>Community Development Block Grant</u>
_____	_____

Dollar threshold used to distinguish between type A and type B federal programs: \$ 300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes ✓ no

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Section II – Financial Statements Audit Findings

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**2015-001 Significant Deficiency: Accounting for Capital Assets**  
*(See also prior audit finding 2014-001; page 125)*

**Condition.** Historically, the County has maintained an excel spreadsheet that details the County’s capital assets, largely for insurance and other tracking purposes. The external auditors maintained a detailed listing of assets, recorded additions and disposals, and calculated depreciation annually. The two lists have not been reconciled with each other.

In fiscal year 2012, the County began using the capital asset module in the County’s accounting software system (“Hill Country”). Because the implementation was incomplete, the software-generated reports could not be used to track capital asset additions and disposals. Additionally, software totals could not be reconciled to prior year audit reports.

**Criteria.** Proper accounting for capital assets requires the maintenance of an accurate, detailed listing of all capital assets that meet the County’s criteria for capitalization and/or tracking.

**Effect.** The inability to rely on this listing could lead to improper tracking and control of fixed asset additions and disposals, as well as potential errors in computing depreciation expense.

**Context.** Capital assets represent the County’s single largest asset.

**Recommendation.** The following recommendations should be considered:

1. Reconcile the software-generated listing of assets to the detailed listing provided by the external auditor, making note of differences.
2. Conduct a physical inventory of all County assets (by department/location) to ensure that the data in the system is accurate. After the initial inventory is performed, implement a policy regarding on-going plans to count assets in each department/location on a rotating basis, not less than biannually.

**Views of Responsible Officials and Corrective Action.** “I agree with the finding. Houston County hired an outside company, RCI, to prepare a county-wide inventory control program. They will mobilize to start a bar code program by October 1.” - Erin Ford, Houston County Judge

**2015-002 Significant Deficiency: Reconciliation of Cash Accounts**

**Condition.** At year end, the combined funds cash account per the general ledger was not reconciled with the bank balance. The difference, though immaterial to the financial statements as a whole, has not been fully identified to date.

**Criteria or specific requirements.** The majority of the County’s funds are deposited, expended and accounted for through this bank account. Review of bank statements and reconciliations to the general ledgers is possibly the single most important internal control within any organization.

**Effect.** Possible fraud, theft, or misappropriation of funds; inaccurate reporting; improper cash management.

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Recommendation.** This account should be reconciled with the general ledger on a monthly basis by the County Treasurer. The reconciliation should be signed and dated. The reconciliation should be reviewed for accuracy by the County Auditor, also signing and dating to document the process.

We further recommend that County personnel develop procedures to account for the majority of cash related activity through the cash receipts and disbursements processes, rather than through manual journal entries. The accounts payable and payroll check registers, as well as the cash receipts listing produced each month should be easily reconciled to the bank statement.

**Views of Responsible Officials and Corrective Action.** “I agree with the external auditor findings. The County will establish a procedure whereby the bank statements are reconciled by one person and reviewed/approved by the County Judge.” - Erin Ford, Houston County Judge

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Section III – Major Federal Award Programs Audit Findings and Questioned Costs

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*None.*



**HOUSTON COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Financial Statements Audit Findings

---

**2014-001** *Significant Deficiency: Accounting for Capital Assets*  
*Previously Outstanding: 2012-03*

**Condition.** Historically, the County has maintained an excel spreadsheet that details the County's capital assets, largely for insurance and other tracking purposes. The external auditors maintained a detailed listing of assets, recorded additions and disposals, and calculated depreciation annually. The two lists have not been reconciled with each other.

**Status.** This prior year finding remains outstanding. See also section II on pages 122 - 123.

**HOUSTON COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Major Federal Award Programs Audit Findings and Questioned Costs

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*None.*

